

TOWN OF QUINTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
JUNE 30, 2013

RALPH OSBORN
CERTIFIED PUBLIC ACCOUNTANT
500 SOUTH CHESTNUT
P. O. Box 1015
BRISTOW, OKLAHOMA 74010-1015
(918) 367-2208
FAX (918) 367-1034

INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Board of Trustees
Town of Quinton
Quinton, Oklahoma

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Quinton, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Town of Quinton's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statement that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with the auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Quinton as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Quinton, Oklahoma's basic financial statements. The combining and individual nonmajor fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Matters

In accordance with *Government Auditing Standards*, I have also issued my report dated September 30, 2015, on my consideration of Town of Quinton's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
September 30, 2015

TOWN OF QUINTON, OKLAHOMA
STATEMENT OF NET POSITION
JUNE 30, 2013

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 256,241	\$ 107,362	\$ 363,603
Investments	50,290	-	50,290
Restricted assets:			
Cash and cash equivalents	-	76,244	76,244
Investments	-	13,200	13,200
Accounts receivable, net	-	34,352	34,352
Due from other governments	27,560	-	27,560
Internal balances	349	(349)	-
Prepaid assets	-	1,589	1,589
Court fines receivable, net	11,945	-	11,945
Total current assets	346,385	232,398	578,783
Non-current assets:			
Capital assets:			
Land	10,325	12,029	22,354
Other capital assets, net of depreciation	108,765	2,591,301	2,700,066
Total non-current assets	119,090	2,603,330	2,722,420
Total assets	465,475	2,835,728	3,301,203
LIABILITIES:			
Accounts payable & accrued liabilities	5,830	17,115	22,945
Accrued interest payable	-	3,621	3,621
Meter deposit held in trust	-	31,542	31,542
Long-term debt current	-	25,207	25,207
Lease purchase current	5,140	-	5,140
Total current liabilities	10,970	77,485	88,455
Long-term debt non-current	-	1,435,814	1,435,814
Lease purchase non-current	2,657	-	2,657
Total non-current liabilities	2,657	1,435,814	1,438,471
Total liabilities	13,627	1,513,299	1,526,926
NET POSITION:			
Capital assets, net of related debt	111,293	1,142,309	1,253,602
Restricted for debt	-	57,606	57,606
Restricted for meter deposit	-	31,838	31,838
Unreserved	340,555	90,676	431,231
Total net position	\$ 451,848	\$ 1,322,429	\$ 1,774,277

The accompanying notes are an integral part of this financial statement.

TOWN OF QUINTON, OKLAHOMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

		Program Revenue			Net (Expenses) Revenue
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	
	Expenses				
Function/Programs					
Governmental activities					
Administration	\$ 53,449	\$ -	\$ 8,123	\$ -	\$ (45,326)
Public safety	188,419	31,486	-	17,255	(139,678)
Community services	59,752	694	8,130	-	(50,928)
Total governmental activities	<u>301,620</u>	<u>32,180</u>	<u>16,253</u>	<u>17,255</u>	<u>(235,932)</u>
Business-type activities					
Utilities	<u>361,510</u>	<u>291,649</u>	<u>-</u>	<u>-</u>	<u>(69,861)</u>
Total business-type activities	<u>361,510</u>	<u>291,649</u>	<u>-</u>	<u>-</u>	<u>(69,861)</u>
Total primary government	<u>\$663,130</u>	<u>\$323,829</u>	<u>\$ 16,253</u>	<u>\$ 17,255</u>	<u>\$ (305,793)</u>
Primary Government					
Changes in net position:					
Net (expense) revenue		<u>\$ (235,932)</u>	<u>\$ (69,861)</u>	<u>\$ (305,793)</u>	
General revenues					
Taxes					
Sales/Use		224,997	-		224,997
Franchise		19,031	-		19,031
Cigarette Tax		2,731	-		2,731
Sale of Assets		594	-		594
Royalties		4,400	-		4,400
Investment income		1,874	995		2,869
Miscellaneous		<u>7,127</u>	<u>6,619</u>		<u>13,746</u>
Total general revenue		<u>260,754</u>	<u>7,614</u>		<u>268,368</u>
Change in net position		24,822	(62,247)		(37,425)
Net position - beginning		<u>427,026</u>	<u>1,384,676</u>		<u>1,811,702</u>
Net position - ending		<u>\$ 451,848</u>	<u>\$ 1,322,429</u>		<u>\$ 1,774,277</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF QUINTON, OKLAHOMA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General	Other Governmental Funds	Total Governmental Funds
ASSETS:			
Cash and cash equivalents	\$ 129,182	\$ 127,059	\$ 256,241
Investments	-	50,290	50,290
Receivables:			
Due from other governments	22,522	5,038	27,560
Due from other funds	6,789	216	7,005
Court fines receivable, net of allowance of \$4,276	<u>11,945</u>	<u>-</u>	<u>11,945</u>
Total assets	<u>\$ 170,438</u>	<u>\$ 182,603</u>	<u>\$ 353,041</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts payable & accrued liabilities	\$ 4,522	\$ 1,308	\$ 5,830
Due to other funds	<u>216</u>	<u>6,440</u>	<u>\$ 6,656</u>
Total liabilities	<u>4,738</u>	<u>7,748</u>	<u>12,486</u>
Fund Balances:			
Unreserved	<u>165,700</u>	<u>174,855</u>	<u>340,555</u>
Total fund balance	<u>165,700</u>	<u>174,855</u>	<u>340,555</u>
Total liabilities and fund balances	<u>\$ 170,438</u>	<u>\$ 182,603</u>	

Amounts reported for governmental activities in the
Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund, net of accumulated depreciation of \$90,818	119,090
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Certain long-term liabilities are not due and payable
from current financial resources and, therefore, are not
reported in the funds:

Capital lease obligation payable	<u>(7,797)</u>
Net position of governmental civilities	<u>\$ 451,848</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF QUINTON, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	General	Other Governmental Funds	Total Governmental Funds
REVENUES:			
Sales tax	\$ 177,993	\$ 35,492	\$ 213,485
Use tax	11,512	-	11,512
Franchise tax	5,495	13,536	19,031
Motor vehicle tax	-	8,130	8,130
Alcoholic beverage tax	8,123	-	8,123
Cigarette tax	2,731	-	2,731
Sale of assets	-	594	594
Royalties	4,400	-	4,400
Lot sales	-	694	694
Intergovernmental	17,255	-	17,255
Fines and court fees	31,486	-	31,486
Investment income	1,715	159	1,874
Miscellaneous	5,045	2,082	7,127
	<u>265,755</u>	<u>60,687</u>	<u>326,442</u>
Total revenues			
EXPENDITURES:			
Administration	53,449	-	53,449
Public safety	183,421	-	183,421
Community Services	8,759	45,873	54,632
Capital Outlay	17,255	-	17,255
	<u>262,884</u>	<u>45,873</u>	<u>308,757</u>
Total expenditures			
Net change in fund balances	2,871	14,814	17,685
Fund balances - beginning	162,829	160,041	322,870
Fund balances - ending	<u>\$ 165,700</u>	<u>\$ 174,855</u>	<u>\$ 340,555</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF QUINTON, OKLAHOMA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Net changes in fund balances - total governmental funds \$ 17,685

Amounts reported for governmental activities in
the statement of activities are different because:

Governmental funds report capital outlays
as expenditures while governmental activities
report depreciation expense to allocate those
expenditures over the life of the assets.

Capital asset purchases capitalized	17,255	
Depreciation expense	<u>(15,032)</u>	
		<u>2,223</u>

Debt proceeds provide current financial resources
to government funds, but issuing debt increases
long-term liabilities in the Statement of Net
Position. Repayment of debt principal is an
expenditure in the government funds, but the
repayment reduces long-term liabilities in the
Statement of Net Position.

Capital lease obligation principal payments	<u>4,914</u>	<u>4,914</u>
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Change in net position of governmental activities \$ 24,822

The accompanying notes are an integral part of this financial statement.

TOWN OF QUINTON, OKLAHOMA
STATEMENT OF FUND NET POSITION - PROPRIETARY FUND
JUNE 30, 2013

	<u>Public Works</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 107,362
Accounts receivable, net	34,352
Prepaid insurance	1,589
Restricted cash	76,244
Restricted investment	<u>13,200</u>
Total current assets	<u>232,747</u>
Non-current assets	
Land	12,029
Capital assets, net of depreciation	<u>2,591,301</u>
Total non-current assets	<u>2,836,077</u>
TOTAL ASSETS	<u>2,836,077</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	17,115
Accrued interest payable	3,621
Deposits subject to refund	31,542
Notes payable	25,207
Due to other funds	<u>349</u>
Total current liabilities	<u>77,834</u>
Non-current liabilities:	
Notes payable	<u>1,435,814</u>
Total non-current liabilities	<u>1,435,814</u>
TOTAL LIABILITIES	<u>1,513,648</u>
NET POSITION	
Capital assets, net of related debt	1,142,309
Restricted for debt	57,606
Restricted for meter deposit	31,838
Unassigned	<u>90,676</u>
Total net position	<u>\$ 1,322,429</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF QUINTON, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Public Works</u>
<u>OPERATING REVENUES</u>	
Charges for services:	
Water	\$ 210,197
Sewer	71,037
Water/sewer taps	1,065
Penalties and reconnects	9,350
Other	<u>6,619</u>
Total operating revenues	<u>298,268</u>
<u>OPERATING EXPENSES</u>	
Wages	84,681
Payroll taxes	7,116
Water	83,943
Insurance	4,253
Maintenance and supplies	17,766
Licenses and testing	7,466
Office and postage	5,361
Bad Debt	4,745
Utilities	5,492
Depreciation	<u>78,196</u>
Total operating expenses	<u>299,019</u>
Net Operating income (loss)	<u>(751)</u>
<u>NON-OPERATING REVENUE (EXPENSES)</u>	
Investment income	995
Interest expense	<u>(62,491)</u>
Total non-operating revenue (expense)	<u>(61,496)</u>
Change in net position	(62,247)
Total net position, beginning	<u>1,384,676</u>
Total net position, ending	<u>\$ 1,322,429</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF QUINTON, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Public Works</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 301,604
Cash payments to employees	(91,797)
Cash payments to suppliers for goods and services	<u>(131,174)</u>
Net cash provided (used) by operating activities	<u>78,633</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES	
Increase in due to other funds	<u>151</u>
Net cash used in noncapital and related financing activities	<u>151</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on capital debt	(24,158)
Interest paid on capital debt	(62,554)
Purchase of capital assets	(1,650)
Increase in restricted assets - Debt Reserve	<u>(7,581)</u>
Net cash used in capital and related financing activities	<u>(95,943)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	<u>995</u>
Net cash provided by investing activities	<u>995</u>
Net increase in cash and cash equivalents	(16,164)
Cash and cash equivalents, beginning	<u>123,526</u>
Cash and cash equivalents, ending	<u><u>\$ 107,362</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET	
CASH PROVIDED BY (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ (751)
Adjustments to reconcile operating income to net	
cash provided (used) by operating activities:	
Depreciation expense	78,196
Changes in assets and liabilities:	
Receivables, net	3,086
Prepaid insurance	(787)
Accounts payable	(1,361)
Deposits subject to refund	<u>250</u>
Net cash provided by operating activities	<u><u>\$ 78,633</u></u>

The accompanying notes are an integral part of this financial statement.

TOWN OF QUINTON, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Quinton, Oklahoma, was incorporated under the provisions of the laws of the State of Oklahoma. The Town operates under a Board of Trustees form of government and is governed by a five-member Board. The Trustees elect the mayor from their own body. The Town provides the following services as authorized by its charter: general government, public safety, streets, public works, judicial, health and social services, culture, parks and recreation, public improvements, and planning and zoning for the geographic area organized as the Town of Quinton, Oklahoma. The basic financial statements include the departments, agencies, and other organizational units over which the Board of Trustees exercise oversight responsibility. In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14 and No. 39. Based on the criteria Quinton Public Works Authority is the only component unit. The definition of the financial reporting entity is primarily based on the concept of financial accountability. The financial reporting entity consists of the primary government (the Town), and activities for which the primary government is financially accountable, and the activities of Quinton Public Works Authority. Financial accountability exists if a primary government appoints a voting majority of an organizations governing body, and is either able to impose its will on the organization or there is a potential for the organization to provide a specific financial benefit to, or impose specific financial burdens on, the primary government. Based upon the application of these criteria, there are no other entities to include in the Town's financial statements.

The Quinton Public Works Authority (QPWA) was created pursuant to a Trust Indenture to acquire, construct, lease and operate the water and sewer facilities for the benefit of the Town of Quinton, Oklahoma. QPWA is empowered to incur debt for the purposes stated above. The water and sewer systems owned by the Town have been leased to QPWA. QPWA is a public trust and an agency of the State of Oklahoma under Title 60, Oklahoma Statutes and is governed by the board consisting of three trustees identical with the Town Council. The QPWA is exempt from State and Federal Income Taxes and is reported as an enterprise fund.

The accounting policies of the Town conform to accounting principles generally accepted in the United States of America applicable to government units.

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the Town as a whole excluding fiduciary activities such as employee pension plans. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Town general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

TOWN OF QUINTON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A functional program is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Town's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these programs uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements of the Town are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the Town are prepared in accordance with generally accepted accounting principles (GAAP). The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Town's reporting entity does not apply FASB pronouncements or ABP opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Town departments. Reimbursements are reported as reductions to expenses. Proprietary and fiduciary fund financial statements and financial statements of Town component units also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Town considers revenues to be available if they are collected within 45 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

TOWN OF QUINTON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Major revenue sources susceptible to accrual include: sales and use taxes, franchise taxes (fees), intergovernmental revenues, and investment income, and user fees. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements include revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the cost of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed.

FUND TYPES AND MAJOR FUNDS

The Town reports the following major governmental funds:

General Fund - The general fund reports as the primary fund of the Town. This fund is used to account for all financial resources not reported in other funds.

Proprietary Funds - The Town reports the following major enterprise funds:

Quinton Public Works Authority - The Authority provides certain utility services for the Town.

Budgetary Accounting and Control

The Town adopts an annual budget for all funds established by the governing body as required by O.S. 11 Section 17.207 through 17.210. The state statutes also require that the budget be adopted by resolution or per the town charter at the legal level of classification (fund, department, & object category) and that the budget be filed with County Clerk and the State Auditor and Inspector. The Town may transfer budgeted amounts within and among departments. The budget is prepared on a cash basis.

Investments

The Town follows Governmental Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," which requires marketable securities to be carried at fair value. The Town considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The investments reported in the financial statements consist of Certificates of Deposits.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriations, is employed in the governmental funds.

TOWN OF QUINTON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Inventories and Prepaids

Inventories in governmental funds consist of expendable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost which is recorded as an expenditure at the time individual inventory items are used. Proprietary funds and similar component unit inventories are recorded at the lower of cost or market on a first-in, first-out basis. The Town has not maintained inventory records, however, the value of inventory on hand at June 30, 2013 is not believed to be material.

Prepaids record payments to vendors that benefit future reporting periods and are also reported on the consumption basis. Both inventories and prepaids are similarly reported in government-wide and fund financial statements.

Capital Assets, Depreciation, and Amortization

The Town's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The Town maintains infrastructure assets records consistent with all other capital assets. Proprietary and component unit capital assets are also reported in their respective fund and combining component units financial statements. Donated assets are stated at fair value on the date donated. The Town generally capitalizes assets with cost of \$500 or more as purchase and construction outlay occur. The cost of normal maintenance and repairs that do not add to the assets value or materially extend useful lives are not capitalized. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are moved from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follow:

Buildings	5-60
Improvements, other than buildings	5-10
Mobile equipment	5-10
Furniture, machinery, and equipment	5-10
Utility system	10-40

Compensated Absences

The Town of Quinton's policy is to permit employees to accumulate earned but unused vacation time. Full time and part time regular employees who have been employed continuously for at least 12 months are granted vacation benefits in varying amounts to specified maximums depending on tenure with the Town. The Town has not accrued compensated absences because the amount, if any, would not be material to the financial statements.

Reserves and Designations

Reserves represent those portions of fund balance not available for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

TOWN OF QUINTON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - CASH AND INVESTMENTS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of failure of counterparty, the Town will not be able to recover the value of its deposits or investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Town, and are held by counterparty or the counterparty's trust department but not in the name of the Town. The Town's policy requires that all deposits and investments in excess of amounts covered by federal deposit insurance be fully collateralized by the entity holding the deposits or investments. As of June 30, 2013, all of the Towns deposits and investments were either covered by federal deposit insurance or were fully collateralized.

Deposits

The Town had deposits at financial institutions with a carrying amount of approximately \$503,337 at June 30, 2013. The bank balance of the deposits at June 30, 2013 was approximately \$511,285.

Credit Risk

Fixed-income securities are subject to credit risk. However, the Town did not have fixed income securities at June 30, 2013.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town monitor's the investment performance on an ongoing basis to limit the Town's interest rate risk. As of June 30, 2013, the Town's deposits consisted of demand deposits and certificates of deposit with a maturity of 12 months or less.

NOTE C - ACCOUNTS RECEIVABLE

The Authority has accounts receivable from its utility customers in the amount of \$34,352.

The governmental funds have accrued taxes to be received in July and half of August.

TOWN OF QUINTON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE D - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables at June 30, 2013 are as follows:

<u>Amount</u>	<u>Due To Other Funds</u>	<u>Due From Other Funds</u>
\$ 349	Public Works	General Fund
6,247	General Fund	Street and Alley
23	General Fund	Cemetery
<u>\$ 6,619</u>		

NOTE E - RESTRICTED ASSETS

The Authority has restricted cash assets for customer deposits, capital outlay and as a loan reserve for its Rural Development loan.

NOTE F - CAPITAL ASSETS

Changes in capital assets.

The following table provides a summary of changes in capital assets:

	<u>CAPITAL ASSETS, DEPRECIATED</u>				<u>Capital Assets Not Depreciated</u>
	<u>Infrastructure & Improvements</u>	<u>Furniture, Machinery, And Equipment</u>	<u>Totals</u>		<u>Land</u>
PRIMARY GOVERNMENT					
Governmental activities					
Balance, June 30, 2012	\$ 39,900	\$ 11,550	\$ 130,878	\$ 182,328	\$ 10,325
Increases	-	-	17,255	17,255	-
Decreases	-	-	-	-	-
Balance, June 30, 2013	<u>39,900</u>	<u>11,550</u>	<u>148,133</u>	<u>199,583</u>	<u>10,325</u>
Accumulated Depreciation					
Balance, June 30, 2012	6,985	2,073	66,728	75,786	
Increase	998	578	13,456	15,032	
Decreases	-	-	-	-	
Balance, June 30, 2013	<u>7,983</u>	<u>2,651</u>	<u>80,184</u>	<u>90,818</u>	
Governmental activities Capital Assets, Net	<u>\$ 31,917</u>	<u>\$ 8,899</u>	<u>\$ 67,949</u>	<u>\$ 108,765</u>	<u>\$ 10,325</u>
Business-type activities					
Balance, June 30, 2012	\$ -	\$ 3,419,669	\$ 68,464	\$3,488,133	\$ 12,029
Increases	-	1,650	-	1,650	-
Decreases	-	-	-	-	-
Balance, June 30, 2013	<u>-</u>	<u>3,421,319</u>	<u>68,464</u>	<u>3,489,783</u>	<u>12,029</u>
Accumulated Depreciation					
Balance, June 30, 2012	-	751,822	68,464	820,286	
Increase	-	78,196	-	78,196	
Decreases	-	-	-	-	
Balance, June 30, 2013	<u>-</u>	<u>830,018</u>	<u>68,464</u>	<u>898,482</u>	
Business-type Activities Capital Assets, Net	<u>\$ -</u>	<u>\$ 2,591,301</u>	<u>\$ -</u>	<u>\$2,591,301</u>	<u>\$ 12,029</u>
PRIMARY GOVERNMENT Capital Assets, Net	<u>\$ 31,917</u>	<u>\$ 2,600,200</u>	<u>\$ 67,949</u>	<u>\$2,700,066</u>	<u>\$ 22,354</u>

TOWN OF QUINTON, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

DEPRECIATION EXPENSE

Depreciation expense was charged to functions of the primary government as follows:

GOVERNMENT ACTIVITIES		BUSINESS-TYPE ACTIVITIES	
General government	\$ 9,912	Public works	\$ 78,169
Street	5,120		

NOTE G - LONG TERM DEBT

Changes in long-term debt are as follows:

	Payable at June 30, 2012	Added	Retired	Balance at June 30, 2013
USDA, Rural Development	\$ 701,938	\$ -	\$ (12,742)	\$ 689,195
USDA, Rural Development	783,417	-	(11,416)	771,826
	<u>\$ 1,485,355</u>	<u>\$ -</u>	<u>\$ (24,158)</u>	<u>\$ 1,461,021</u>

As of June 30, 2013, the long-term debt payable from business-type activities resources consisted of the following:

Rural Development Notes Payable:

2004 Promissory Note, original issue amount of \$800,000 dated June 23, 2004 issued by U.S. Department of Agriculture, Rural Development, interest rate 4.375%. Monthly payments of \$3,600, for a term of 40 years.		<u>\$ 689,195</u>
Current Portion		\$ 13,307
Non-Current Portion		675,888
Total Notes Payable		<u>\$ 689,195</u>
2009 Promissory Note, original issue amount of \$851,000 dated May 18, 2009 issued by U.S. Department of Agriculture, Rural Development, interest rate 4.125%. Monthly payments of \$3,626, for a term of 40 years.		<u>\$ 771,826</u>
Current Portion		\$ 11,892
Non-Current Portion		759,934
Total Notes Payable		<u>\$ 771,826</u>

TOWN OF QUINTON, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

Debt service requirements to maturity are as follows (this includes the full amount of the 2013 note):

	Business-Type Activities		
<u>Year ending</u>	<u>Notes Payable</u>		
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 25,199	\$ 61,513	\$ 86,712
2015	26,727	59,985	86,712
2016	27,895	58,817	86,712
2017	29,184	57,528	86,712
2018	30,450	56,262	86,712
2019-2023	173,013	260,547	433,560
2024-2028	214,014	219,546	433,560
2029-2033	264,769	168,791	433,560
2034-2038	327,484	106,076	433,560
2039-2043	288,136	59,024	347,160
2044-2045	54,150	7,492	61,642
	<u>\$ 1,461,021</u>	<u>\$ 1,115,581</u>	<u>\$ 2,576,602</u>

NOTE H - CAPITAL LEASES

The Town have entered into lease agreements as lessee for financing the acquisition of equipment. The lease agreements qualify as capital lease for accounting purposes since title transfers at the end of the lease term and it has been recorded at the present value of the future minimum lease payments. The lease contains a clause which gives the Town the ability to terminate the lease agreement at the end of each fiscal year.

Capital lease transactions for the year ended June 30, 2013 are as follows:

<u>Payable at</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at</u> <u>June 30, 2013</u>
\$ 12,711	\$ -	\$ (4,914)	\$ 7,797
<u>\$ 12,711</u>	<u>\$ -</u>	<u>\$ (4,914)</u>	<u>\$ 7,797</u>

The schedule of future minimum lease payments under the capital leases and the present value of the net minimum lease payments at June 30, is as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Truck</u>	<u>Total</u>
2014	\$ 5,385	\$ 5,385
2015	2,692	2,692
Total minimum lease payment	8,077	8,077
Less: Amount representing interest	280	280
Total	<u>\$ 7,797</u>	<u>\$ 7,797</u>

TOWN OF QUINTON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE I - COMPENSATED ABSENCES

The amount that should be reported for accrued compensated absences is not known but is not believed to be material.

NOTE J - PENSION OBLIGATIONS

Town of Quinton participates in a statewide, cost-sharing multiple-employer defined benefit plan on behalf of volunteer firefighters. The system is administered by an agency of the State of Oklahoma and funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The following is a summary of eligibility factors, contribution methods, and benefit provisions.

Oklahoma Firefighter's Pension

		<u>And Retirement System</u>
Eligibility to Participate		All full-time or voluntary Firefighters of a participating Municipality hired before age 45
Authority establishing contribution obligations and benefit provisions		State Statute
Plan members' contribution rate		8% of covered payroll
Town's contribution rate		13% of covered payroll
Period required to vest		10 years
Benefits and eligibility for distribution (full time)		20 years credited service, 2 ½% of final Average salary multiplied by the years of Credited service with a maximum of 30 Years considered; If vested, at or after Age 50, or after 10 but before 20 years of Credited service, with reduced benefits
Benefits and eligibility for distribution (Volunteer)		20 years credited service equal to \$5.46 per month per year of service With a maximum of 30 Years considered
Deferred retirement option		Yes, 20 years credited service with Continued service for 30 or more years
Provisions for:		
Cost of living adjustments		
(normal retirement)	Yes	Yes, if vested by 5/83
Death (duty, non-duty,		
post-retirement)	Yes	Yes
Disability	Yes	Yes
Cost of living allowances	Yes	Yes

TOWN OF QUINTON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

The Town is required to contribute \$60 per year per volunteer firefighter. For those years in which the Town General Fund revenue falls below a statutory amount the Town is not required to make a contribution.

Contributions required by State Statute:

<u>Fiscal Year</u>	<u>Oklahoma Firefighter's Pension And Retirement System</u>	
	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2013	\$ 1,800	100%
2012	\$ 960	100%
2011	\$ 960	100%

Trend information showing the progress of the system in accumulating sufficient assets to pay benefits when due is presented in the annual financial reports of the plan. Copies of the report may be obtained from the state retirement systems.

Volunteer firefighters receive a monthly pension based on their years of service. The volunteer may receive death or spousal benefits if certain conditions are met.

NOTE K - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance for risk of loss, including workers' compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Town retained legal counsel to defend it in any legal action.

NOTE L - FEDERAL STATE GRANTS

In the normal course of operations, the Town receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authorities. The purpose of the audits is to ensure compliance with conditions precedent to the granting of the funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE I - SUBSEQUENT EVENTS

The Town evaluated subsequent events through September 30, 2015, the date which financial statements were available, to determine if any items need to be disclosed. On September 11, 2014, the Authority approved issuance of debt through the OWRB in the amount of \$790,000.

TOWN OF QUINTON
BUDGETARY COMPARISON SCHEDULE - CASH BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Original and Final Budget	Actual	Variance with Original And Final Budget Positive (Negative)
TAXES:			
Sales and Use Tax	\$ 184,600	\$ 194,121	\$ 9,521
Franchise Tax	5,600	5,495	(105)
Total Taxes	<u>190,200</u>	<u>199,616</u>	<u>9,416</u>
INTERGOVERNMENTAL:			
Grant	-	17,255	17,255
Liquor Tax	6,650	7,928	1,278
Total Intergovernmental	<u>6,650</u>	<u>25,183</u>	<u>18,533</u>
FINES AND FORFEITURES	<u>34,400</u>	<u>29,645</u>	<u>(4,755)</u>
INVESTMENT INCOME	<u>1,775</u>	<u>1,315</u>	<u>(460)</u>
MISCELLANEOUS	<u>8,450</u>	<u>9,716</u>	<u>1,266</u>
TOTAL REVENUES	<u>241,475</u>	<u>265,475</u>	<u>24,000</u>
ADMINISTRATION:			
General			
Personal Service	10,000	9,247	753
Materials and Supplies	14,000	21,989	(7,989)
Other Services and Charges	44,398	18,639	25,759
Capital Outlay	6,500	-	6,500
Total	<u>74,898</u>	<u>49,875</u>	<u>25,023</u>
City Council:			
Personal Service	<u>648</u>	<u>638</u>	<u>10</u>
City Attorney:			
Personal Service	<u>4,000</u>	<u>3,600</u>	<u>400</u>
Clerk:			
Personal Service	1,300	-	1,300
Other	<u>-</u>	<u>672</u>	<u>(672)</u>
TOTAL ADMINISTRATION	<u>80,846</u>	<u>54,785</u>	<u>26,061</u>

TOWN OF QUINTON
BUDGETARY COMPARISON SCHEDULE - CASH BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Original and Final Budget	Actual	Variance with Original And Final Budget Positive(Negative)
PUBLIC SAFETY:			
Police:			
Personal Service	124,000	136,522	(12,522)
Materials and Supplies	20,000	25,297	(5,297)
Other Services and Charges	10,000	4,171	5,829
Capital Outlay	5,500	5,385	115
Total	<u>159,500</u>	<u>171,375</u>	<u>(11,875)</u>
Fire:			
Materials and Supplies	6,000	9,788	(3,788)
Other Services and Charges	7,500	3,601	3,899
Capital Outlay	-	17,255	(17,255)
Total	<u>13,500</u>	<u>30,644</u>	<u>(17,144)</u>
Municipal Court:			
Personal Service	-	2,700	(2,700)
Materials and Supplies	3,400	-	3,400
Total	<u>3,400</u>	<u>2,700</u>	<u>700</u>
Total Public Safety	<u>176,400</u>	<u>204,719</u>	<u>(28,319)</u>
COMMUNITY SERVICE:			
Animal Control:			
Personal Service	4,000	-	4,000
Materials and Supplies	500	886	(386)
Other Service and Charges	750	557	193
Total	<u>5,250</u>	<u>1,443</u>	<u>3,807</u>
Cemetery:			
Personal Services	-	5,650	(5,650)
Materials and Supplies	500	-	-
Other Services and Charges	7,500	-	7,500
Total	<u>8,000</u>	<u>5,650</u>	<u>1,850</u>
Civil Defense:			
Materials and Supplies	150	89	61
Other Services and Charges	350	30	320
Total	<u>500</u>	<u>119</u>	<u>381</u>
Community Center:			
Maintenance and Supplies	1,200	1,073	127
Other Services and Charges	800	55	745
Total	<u>2,000</u>	<u>1,128</u>	<u>872</u>
Total Community Service	<u>15,750</u>	<u>8,340</u>	<u>6,910</u>
Total Charges to Appropriations	<u>272,996</u>	<u>267,844</u>	<u>4,652</u>
Changes in Budgetary Fund Balance	<u>\$ (31,521)</u>	<u>\$ (2,369)</u>	<u>\$ 19,348</u>

TOWN OF QUINTON, OKLAHOMA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

	SPECIAL REVENUE FUNDS		
	STREET AND ALLEY FUND	CEMETERY FUND	TOTAL NONMAJOR FUNDS
ASSETS			
Cash and cash equivalents	\$ 79,844	\$ 47,215	\$ 127,059
Investments	-	50,290	50,290
Receivables:			
Due from other governments	5,038	-	5,038
Due from other funds	193	23	216
Total assets	<u>\$ 85,075</u>	<u>\$ 97,528</u>	<u>\$ 182,603</u>
LIABILITIES			
Accounts payable	\$ 1,308	\$ -	\$ 1,308
Payroll taxes payable	6,440	-	6,440
Total liabilities	<u>7,748</u>	<u>-</u>	<u>7,748</u>
FUND BALANCES			
Unreserved	<u>77,327</u>	<u>97,528</u>	<u>174,855</u>
Total fund balances	<u>77,327</u>	<u>97,528</u>	<u>174,855</u>
Total liabilities and fund balances	<u>\$ 85,075</u>	<u>\$ 97,528</u>	<u>\$ 182,603</u>

TOWN OF QUINTON, OKLAHOMA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2013

	SPECIAL REVENUE FUNDS		
	STREET AND ALLEY FUND	CEMETERY FUND	TOTAL NONMAJOR FUNDS
Revenues:			
Taxes	\$ 49,028	\$ -	\$ 49,028
Intergovernmental	8,130	-	8,130
Sale of Assets	594	-	594
Lot Sales	-	694	694
Investment income	-	159	159
Miscellaneous	2,082	-	2,082
Total revenues	59,834	853	60,687
Expenditures:			
Current:			
Community services	45,873	-	45,873
Total expenditures	45,873	-	45,873
Net change in fund balances	13,961	853	14,814
Fund balances - beginning	63,366	96,675	160,041
Fund balances - ending	<u>\$ 77,327</u>	<u>\$ 97,528</u>	<u>\$ 174,855</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and Members of the City Council
Town of Quinton
Quinton, Oklahoma

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Quinton, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Town of Quinton's basic financial statements and have issued my report thereon dated September 30, 2015 which did not include Management's Discussion and Analysis.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Town of Quinton's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Quinton's internal control. Accordingly, I do not express an opinion of the effectiveness of Town of Quinton's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Quinton, Oklahoma's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of the Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
September 30, 2015